Relief Therapeutics Holding AG

Condensed consolidated interim financial statements for the half-year ended 30 June 2017

(unaudited)

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Relief Therapeutics Holding AG (condensed consolidated interim financial statements)

Relief Therapeutics Holding AG

Consolidated interim balance sheet (in TCHF)

TCHF	Notes	30 June 2017	31 December 2016
ASSETS			
Property, plant and equipment	6	6	8
Intangible assets	8	30'800	30'800
Non-current assets		**30'806**	**30'808**
Trade receivables		-	2
Other current assets and other receivables	9	166	219
Cash and cash equivalents		221	394
Current assets		**387**	**615**
Total assets		**31'193**	**31'423**
EQUITY AND LIABILITIES			
Share capital	10	20'241	19'466
Reserves		20'589	20'597
Accumulated losses		(18'896)	(17'827)
Equity		**21'934**	**22'236**
Defined benefit obligation		1'072	1'072
Deferred tax liabilities		6'468	6'468
Non-current liabilities		**7'540**	**7'540**
Trade payables		485	383
Liabilities due to related parties	11	876	878
Other current payables and liabilities	12	358	386
Current liabilities		**1'719**	**1'647**
Total equity and liabilities		**31'193**	**31'423**

The accompanying notes form an integral part of the consolidated financial statements.

Relief Therapeutics Holding AG

Consolidated interim statement of comprehensive income (in TCHF)

TCHF	Notes	1.1. - 30.6.2017	1.1. - 30.6.2016
CONTINUING OPERATIONS			
Service expense		(27)	(7)
Personnel expense	13	(486)	(199)
Other administrative expense	14	(552)	(65)
Other gains and losses		17	
EBITDA		**(1'048)**	**(271)**
Depreciation and amortisation expense		(2)	-
Operating loss		**(1'050)**	**(271)**
Finance income		2	-
Finance expense		(21)	(2)
Loss before income taxes		**(1'069)**	**(273)**
Income taxes		-	-
Loss for the period		**(1'069)**	**(273)**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Total items that will not be reclassified subsequently to profit or loss		**-**	**-**
Currency translation differences		(2)	-
Total items that may be reclassified subsequently to profit or loss		**(2)**	**-**
Total other comprehensive income for the year, net of income tax		**(2)**	**-**
Total comprehensive income for the period		**(1'071)**	**(273)**
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted earnings per share (in CHF)	15	(0.001)	(0.000)

The accompanying notes form an integral part of the consolidated financial statements.

Relief Therapeutics Holding AG

Consolidated interim cash flow statement (in TCHF)

TCHF	1.1. - 30.6.2017	1.1. - 30.6.2016
Cash flow used in operating activities	**(944)**	**(361)**
Interest received	2	-
Cash flow from investing activities	**2**	**-**
Proceeds from capital increase	815	622
Transaction cost in relation to capital increase	(46)	-
Cash flow from financing activities	**769**	**622**
Net (decrease)/increase in cash and cash equivalents	(173)	262
Cash and cash equivalents at beginning of period	394	13
Net effect of currency translation on cash and cash equivalents	-	-
Cash and cash equivalents at end of period	**221**	**275**

The accompanying notes form an integral part of the consolidated financial statements.

Relief Therapeutics Holding AG

Consolidated interim statement of changes in equity (in TCHF)

TCHF	Notes	Share capital	Reserves	Accumulated loss	Total
Balance at 1 January 2016		**6'548**	**(6'446)**	**(155)**	**(53)**
Loss for the period		-	-	(273)	**(273)**
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(273)**	**(273)**
Capital increase		-	622		622
Balance at 30 June 2016		**6'548**	**(5'824)**	**(428)**	**296**
Balance at 1 January 2017		**19'466**	**20'597**	**(17'827)**	**22'236**
Loss for the period		-		(1'069)	(1'069)
Other comprehensive income for the period, net of income tax		-	(2)	-	(2)
Total comprehensive income for the period		**-**	**(2)**	**(1'069)**	**(1'071)**
Capital increase		775	75	-	850
Transaction cost in relation to capital increase			-81		-81
Balance at 30 June 2017		**20'241**	**20'589**	**(18'896)**	**21'934**

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated interim financial statements

1 General information

RELIEF THERAPEUTICS Holding AG (“Relief” or “the Company”) (formerly THERAMetrics holding AG or “THERAMetrics”) is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office is avenue de Sécheron 15, Geneva, Switzerland. In June 2017, the Company moved its legal seat from Zurich to Geneva.

On 14 July 2016, the Company acquired Relief Therapeutics SA (RTSA) of Geneva, changed its name from THERAMetrics holding AG to Relief Therapeutics Holding AG, and moved its legal seat from Stans to Zurich. The Company owns 100% of RTSA; however, due to the fact that the former owners of RTSA are now the majority shareholders of Relief, the transaction has been treated as reverse acquisition in accordance with the IFRS accounting principles (See Note 5 to these financial statements). Accordingly, these consolidated financial statements are shown as a continuation of the financial statements of RTSA, retrospectively adjusted to reflect the legal capital of Relief which is still the legal parent company.

The Group is focussed on the development and/or licensing of its portfolio of medicinal products candidates (MPCs). Its two most promising MPCs are aviptadil (for respiratory indications such as sarcoidosis and pulmonary hypertension) and atexakin alfa (for treatment of diabetic neuropathy).

Previously, as THERAMetrics, the Company was the parent of a global contract research organization (CRO) which offered technological services and solutions to life sciences and pharmaceutical companies through the entire value chain of drug discovery and development. On 15 June 2016, the Company sold its significant CRO subsidiaries with an effective date of 31 May 2016. The Company’s smaller CRO subsidiaries have been closed and are in the process of being liquidated.

The consolidated financial statements are presented in Swiss Francs (CHF).

2 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 annual report and are neither audited nor reviewed.

3 Summary of significant accounting policies

3.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

The consolidated financial statements of the Group have been prepared using the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2016 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2017, and will be adopted in the 2017 annual financial statements.

The nature and impact of each new standard and interpretation adopted by the company is detailed below.

	New, amended and revised Standards and Interpretations
IAS 7	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS 12	Amends IAS 12 Income Taxes to clarify the following aspects: - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. - The carrying amount of an asset does not limit the estimation of probable future taxable profits. - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

3.2 Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following Standards and Interpretations that have been issued but are not yet effective. They will be effective on or after the dates described below.

	New, amended and revised Standards and Interpretations	Effective from
IFRS 2	Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	Annual periods beginning on or after 1 January 2018
IFRS 9	IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirement for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.	Annual periods beginning on or after 1 January 2018
IFRS 15	The new Standard IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	Annual periods beginning on or after 1 January 2018
IFRS 16	The new Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, the Standard does not include significant changes to the requirements for accounting by lessors.	Annual periods beginning on or after 1 January 2019
IFRIC 23	The Interpretation requires an entity to: - determine whether uncertain tax positions are assessed separately or as a group; and - assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: - if yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings - if no, the entity should reflect the effect of uncertainty in determining its accounting tax position.	Annual periods beginning on or after 1 January 2019

The Group is currently assessing whether these changes will impact the consolidated financial statements in the period of initial application. Except for IFRS 9, IFRS 15 and IFRS 16, which will be applicable in 2018 and/or 2019, the Group does not expect any significant impact from the new or amended Standards mentioned above.

4 Summary of critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

4.1 Critical judgements in applying accounting policies

Acquisition of Relief Therapeutics SA

The Company entered into contribution in kind agreements with the holders of the contributed shares of Relief Therapeutics SA ("RTSA"), pursuant to which the RTSA shareholders contributed their RTSA shares to the Company in exchange for newly issued shares of the Company. Accordingly, RTSA became a wholly owned subsidiary of the Company. The business combination is considered a reverse acquisition in accordance with IFRS 3 as RTSA's shareholders obtained the clear majority of shares of the combined company upon completion of the transaction and therefore have obtained control over the combined entity.

Going concern

The Company has recently secured funding (i) through an increase of capital equivalent to CHF 500'000 in March this year as well as (ii) by proceeds from three drawdowns in January, March and July equivalent to CHF 405'000 out of the SSF agreement signed with GEM in December 2015. Nevertheless, with no current sources of revenue, the company must rely on its current cash balance, financing instruments in plance and further fund-raising efforts in order to finance its continuing operations for the upcoming years.

Cost saving measures have already been taken and applied including salary reduction, closure of the Zurich offices and heavy control of each spending so that the Company is now operating with a minimum level of fixed costs. In order to provide a future stream of income as well as an immediate boost to its cash position, management is currently negotiating with multiple interested parties for the licensing out of some of its MPCs. Management expects to conclude these negotiations in the coming months and, in doing so, expects to generate sufficient cash to secure the viability of the Company. Cash from such license agreements is expected to come in the combined form of up-font payments, milestone payments, and future royalty fees. Finally, management will continue its efforts to raise cash through traditional financing methods such as the issuance of debt and equity instruments – including the use of the SSF agreement that is in place with GEM.

Although management is confident that its fund-raising efforts will be sufficient to fund the Company's operations for the foreseeable future, there remains a risk that it might not. In such a case, there would be significant doubt about the Company's ability to continue as a going concern and, as such, there exists a material uncertainty at present.

Because management is confident that its plan will succeed, and that the liquidity of the Company will be thereafter secured, these financial statements have been prepared on the going concern basis.

4.2 Key sources of estimation uncertainty

Key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the year ended 31 December 2016.

5 Business combination

RTSA as well as RTH and its subsidiaries combined their businesses in July 2016 to create an emerging biopharmaceutical player focused on promising medicinal product candidates. Refer to note 1 regarding the description of the transaction.

5.1 Consideration transferred

	TCHF
Non-cash (TMX shares)	36'985
Total consideration transferred	**36'985**

Under IFRS 3, the cost of the acquisition is based on the market value of RTH shares before the transaction (capital increase). Therefore, the consideration transferred is calculated as follows: 739'690'125 shares at a fair value of CHF 0.05 (share price on transaction date) resulting to TCHF 36'985.

Acquisition-related costs amounting to TCHF 808 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in 2016.

5.2 Assets acquired and liabilities recognised at the date of acquisition

	TCHF
Non-current assets	
Property, plant and equipment	7
Intangible assets	30'800
Loans and other non-current assets	4
Current assets	
Trade receivables	142
Tax receivables	47
Other current assets and other receivables	63
Cash and cash equivalents	132
Non-current liabilities	
Defined benefit obligation	(436)
Deferred tax liabilities	(6'468)
Current liabilities	
Trade payables	(683)
Liabilities due to related parties	(609)
Tax payables	(1)
Other current payables and liabilities	(569)
Net assets acquired	**22'429**

5.3 Goodwill arising on acquisition

	TCHF
Consideration transferred	36'985
+ non-controlling interest	-
./. Fair value of identifiable net assets	(22'429)
Goodwill	**14'556**

The final purchase price allocation included the recognition of an intangible asset relating to the medical compound "aviptadil" amounting to TCHF 30'800 and a related deferred tax liability of TCHF 6'468. As no other future economic benefits which are not individually identified and separately recognised can be identified, the residual amount paid of TCHF 14'556 was allocated to goodwill. Subsequent to the acquisition, the goodwill was tested for impairment which resulted in an impairment expense for the full amount of goodwill during the year based on the future expected benefits attributable to the CGU.

5.4 Net cash inflow on acquisition of subsidiary

	TCHF
Cash and cash equivalent balances acquired	132
Less: Consideration paid in cash and cash equivalents	-
Total net cash inflow	**132**

5.5 Impact of acquisition on the results of the group

Included in the loss for the first half-year 2017 is a loss of TCHF 799 attributable to the additional business generated by RTH and its subsidiaries. There was no revenue for the period in respect of RTH and its subsidiaries.

6 Segment information

6.1 Description of segment

The Group has only one business stream which is further explained in note 1.

6.2 Geographical information

As the Group currently only operates in Switzerland, no separate geographical information is presented.

7 Property, plant and equipment

There were no additions or disposals in the first half of 2017.

8 Intangible assets

The entire intangible assets of TCHF 30’800 relate to medicinal product candidate “aviptadil” which was acquired during the business combination in 2016. Once the intangible asset is available for use, the assets will be depreciated over its useful life.

In consideration of the fact that business and development plans remained unchanged in the first half of the financial year 2017, the Company considered that there is no indication of impairment of non-current assets and therefore has not carried out an impairment test on them.

9 Other current assets and other receivables

Other current assets and other receivables mainly decreased due to a decrease in VAT receivables and prepaid expenses. Other current assets and other receivables are neither impaired nor overdue.

10 Share capital

10.1 Issued share capital

At 30 June 2017, the issued share capital amounts to TCHF 20’241, consisting of 2’024’127’375 registered shares with a par value of CHF 0.01.

On 21 March 2017, the share capital was increased by TCHF 500 by issuing 50 million shares at nominal value of CHF 0.01. The share capital increase was paid in cash. Further, GEM received 600 million share options as compensation for the capital increase at an exercise price of CHF 0.01 which was equal to the share price at that time.

On 6 January 2017, the SSF was drawn-down by 7.5 million ordinary shares at a nominal value of CHF 0.01 resulting in a capital increase of TCHF 75. As the SSF was drawn-down at a share price of CHF 0.02, additional paid in capital of TCHF 75 is recognised within reserves.

On 8 March 2017, there was a further draw-down of 20 million ordinary shares at a share price of CHF 0.01.

These two draw-downs as well as two capital increases done in 2016 are not yet registered, thereby explaining the discrepancy in the number of outstanding shares registered at the commercial register and the one herewith disclosed.

10.2 Authorized share capital

At 30 June 2017, the Company had authorized, but not yet issued, nominal share capital of TCHF 9’500, consisting of 950’000’000 registered shares with a par value of CHF 0.01 each, that the Board of Directors is authorized to issue at any time until 30 May 2019.

10.3 Conditional share capital

The conditional share capital of the Company as at 30 June 2017 was TCHF 9’500, consisting of 950’000’000 registered shares with a par value of CHF 0.01 each, of which 200’000’000 to be used for share options for members of the Board of Directors and Executive Management, employees and consultants as well as 750’000’000 to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

10.4 Significant shareholders

The following significant shareholders are known to the company:

	30.06.2017		31.12.2016	
	Number of shares	**%**	**Number of shares**	**%**
GEM	633'369'250	31.3%	610'437'250	31.4%
Founders of Relief Therapeutics SA	578'300'000	28.6%	586'500'000	30.1%
PIERREL S.p.A.	83'131'184	4.1%	179'372'543	9.2%
FIN POSILLIPO S.p.A	286'824'849	14.2%	286'780'649	14.7%
Others	442'502'092	21.9%	283'536'933	14.6%
Total shares	**2'024'127'375**	**100.0%**	**1'946'627'375**	**100.0%**

11 Liabilities due to related parties

TCHF	30 June 2017	31 December 2016
Shareholders' loan (i)	290	301
Other borrowings (ii)	586	577
Total	**876**	**878**

(i) The subordinated shareholders’ loan due to GEM accrues interest of 4% above the based rate of Barclays Bank PLC. The repayment date is not defined.

(ii) Other borrowings are due to a former subsidiary of the Group. Until repayment, the unpaid balance accrues interest at a rate of 8% per annum.

12 Other current payables and liabilities

In the first half of 2017, other current payables and liabilities mainly decreased due to a decrease in holiday accruals. The decrease was partly netted off by an increase in prepayments received.

13 Employee expense

The increase in employee expense is mainly due to the acquisition of additional business in July 2016. Refer to notes 1 and 5 for further details.

14 Other administrative expense

TCHF	2017	2016
Office expense	79	-
Accounting, legal and consulting expense	415	60
Travel expense	11	4
IT expense	24	-
Other operating expense	23	1
Total general and administrative expense	**552**	**65**

The increase in other administrative expense is due to the acquisition of additional business in July 2016. Refer to notes 1 and 5 for further details.

15 Earnings per share

TCHF	2017	2016
Loss for the period attributable to the equity holders of the Parent Company	(1'069)	(273)
Weighted average number of shares for the purposes of EPS	1'993'381'519	646'551'010
Total basic and diluted earnings per share (in CHF)	**(0.001)**	**(0.000)**

Basic and diluted losses per shares are calculated by dividing the net loss attributable to the shareholders by the weighted average shares outstanding during the period. In 2017 and 2016, the number of shares outstanding varied as a result of different transactions on the share capital structure of the Company.

The options granted as part of the EAP have not been considered in the calculation of the diluted loss per share as their effect is anti-dilutive.

16 Related party balances and transactions

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The liabilities due to Therametrics CSS, Italy, a company owned by one of the major shareholders, as well as the liabilities due to the shareholder GEM are the only related party balance as at 30 June 2017 and 31 December 2016. For further details refer to note 11. There were no related party transactions in the reporting period.

17 Fair value measurement

Unchanged to 31 December 2016 there are no assets or liabilities measured at fair value. For all financial assets and liabilities their carrying amount at amortised cost approximates fair value.

18 Non-cash transactions

There were no significant non-cash transactions during the first six months of 2017 or 2016.

19 Contingent liabilities

Litigation

At 30 June 2017, the Company is not party to any legal, administrative or arbitral proceedings, the outcome of which, if adverse to the Company, may be material to its business, financial condition and results of operation taken as a whole.

CRO sale

The contract for the sale of the Company's major CRO subsidiaries, dated 15 June 2016, contains representation and warranties, as well as clauses for working capital true-ups. The buyer brought up a working capital true-up claim relating to various items in a total amount of approximately CHF 0.8 million, whereas the Company brought up a counter claim of approximately CHF 1.9 million relating to a specific matter. In accordance with the accounting policies, the Company has on one side recorded an accrual for those items claimed where the likelihood of a future cash outflow is more likely than not with the residual amount only being considered contingent liabilities. On the other side, the counter claim is only disclosed as a contingent asset as the future cash inflow is not virtually certain.

20 Subsequent events

SSF draw downs

In July 2017, the SSF was drawn-down by 10 million ordinary shares at a share price of CHF 0.01.

Other than the event mentioned above, there have been no significant subsequent events since 31 December 2016.

21 Approval of financial statements

These consolidated financial statements were approved by the Board of Directors on 21 September 2017.